

Naked Brand Group Limited
ACN 619 054 938

Consolidated Financial Statements
(Expressed in New Zealand Dollars)

For the Year Ended 31 January 2021

Naked Brand Group Limited

ACN 619 054 938

Contents

For the Year Ended 31 January 2021

	Page
Directors' Report	1
Auditor's Independence Declaration	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	13
Directors' Declaration	86
Independent Auditor's Report	87

Naked Brand Group Limited
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Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Naked Brand Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 January 2021.

Directors

The following persons were directors of Naked Brand Group Limited during the financial year and up to the date of this report, unless otherwise stated:

Justin-Davis Rice
Paul Hayes (resigned 18 January 2021)
Simon Tripp (appointed 18 January 2021)
Andrew Sharpe
Kel Fitzalan

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of the design, distribution, wholesale and retailing of women's and men's intimates apparel and swimwear, with merchandise sold in New Zealand, Australia, the United States of America and Europe, and through online channels, along with operating licensed brands including Frederick's of Hollywood, and owned brands including Pleasure State, Davenport, Lovable, Bendon, VaVoom, Evollove, and Hickory. Key customers include Farmers, Myer, David Jones and Woolworths. The Group terminated the Heidi Klum license and product sales of this brand ceased from 31 January 2021.

Dividends

There were no dividends paid during the financial year (2020: \$Nil)

Review of operations (all numbers quoted are \$NZ)

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$68,346,000 (31 January 2020: \$54,305,000), due to loss on convertible notes lower margins resulting from reduced sales due to COVID 19, as well as increased Brand Transition, restructure and transaction costs which includes accruals for phantom warrants of \$11,642,000. The Group also incurred a fair value loss on Convertible note derivatives and warrants of \$26,552,000 in the year.

Significant changes in the state of affairs

In March 2020, the Group entered into a Deed of Amendment with the Bank of New Zealand to extend its loan facility of NZD\$16,700,000 (31 January 2019: NZD\$20,000,000) until March 2022. The facility includes guarantees and financial instruments totalling NZD\$1,345,000. More detail can be found in note 22(b) of these financial statements. On 9 February 2021, the Group repaid the loan facility in full.

On January 21, 2021 we announced plans to undertake a transformative restructure in which we would dispose of our bricks-and-mortar operations in order to focus exclusively on our e-commerce business. To that end, we signed a non-binding and non-exclusive term sheet for the Bendon Sale (the divestment of our Bendon subsidiary, to a group composed of existing management of the Company, including Justin Davis-Rice, the Executive Chairman and Chief Executive Officer of the Company, and Anna Johnson, the Chief Executive Officer of Bendon). On April 23, 2021, we held an Extraordinary General Meeting of Shareholders, at which our shareholders approved the Bendon Sale. On April 30, 2021, we signed the Bendon Share Sale Agreement and simultaneously consummated the transactions contemplated thereby.

As a result of the Bendon Sale, our sole operating subsidiary is FOH. Through FOH, we are the exclusive licensee of the Frederick's of Hollywood global online license, under which we sell Frederick's of Hollywood intimates products, sleepwear and loungewear products, swimwear and swimwear accessories products, and costume products.

Our strategy moving forward is, amongst other things, to organically grow the revenue and profitability of FOH, leverage our core capabilities and extract potential cross synergies, and actively pursue strategic acquisitions.

Directors' report

On February 25, 2021 we signed a definitive agreement for \$100m private placement.

On April 19, 2021 we appointed Mark Ziirszen as the Naked Brand Group CFO and Cheryl Durose will continue as the Bendon Ltd CFO.

In March 2020, the World Health Organisation declared the outbreak coronavirus ("COVID-19") as a pandemic, which continues to spread throughout New Zealand, Australia and the United States. As a result, we closed New Zealand retail and outlet locations on 23 March 2020 and Australian retail and outlet locations on 28 March 2020. Further closures in Australia and Auckland occurred throughout the 2021 year. Online channels continued to operate however we saw a reduction in consumer spending. The closure of retail and outlet locations and reduction in sales within online channels has resulted in a negative impact to the Group's revenue. This had a negative impact on the business. However, the Group was able to negotiate payment terms with key suppliers, reviewed staffing requirements and applied for government subsidies to help alleviate some of the cash constraints and preserve its cash position and help preserve its financial flexibility. The Group received \$4.2m in subsidies from the New Zealand and Australian Government plus rent reductions from landlords. Refer to Note 3 (a) for further details.

Information on directors

Andrew Shape

Andrew Shape was appointed as a non-executive director of the Company on 19 June 2018.

Mr Shape has over 25 years of merchandising, marketing, branding, licensing, and management experience. He also has provided consulting and management services to early stage brands on launching of the brand, creating a marketing plan, establishing distribution models, earning market share, and formulating an exit strategy. Mr Shape is a co-founder of Stran & Company, Inc., a promotional merchandise and marketing agency that provides leading consumer brands with promotional merchandise and marketing support, and has served as its President since September 1996. He is also the founder of Harbor Scientific Consulting and has served as its President since November 2017.

Justin Davis-Rice

Justin Davis-Rice was appointed as an executive director of the Company on 11 May 2017

Mr Davis-Rice is currently Executive Chairman of Naked Brand Group Limited. Prior to becoming Executive Chairman, Mr Davis-Rice served as Chief Executive Officer of Bendon Limited for six years during which he transformed the company through an operational restructuring and a re-engineering of key functional and operational aspects of the business including, supply chain, human resources, design and development, sourcing, wholesale and retail sales.

Kelvin Fitzalan

Kelvin Fitzalan was appointed as a non-executive director of the Company on 31 July 2019.

Mr Fitzalan is a tax professional with approximately 30 years of experience working with closely held active businesses and their owners across a wide range of industries. He has held senior tax positions at Rothsay Chartered Accountants and PwC Australia during his career.

Paul Hayes

Paul Hayes was appointed as a non-executive director of the Company on 19 June 2018 and resigned on 19 January 2021

Mr Hayes is a certified public accountant, has been the Vice President Finance for Parfums de Coeur Ltd, a beauty and wellness products concern, since September 2014. He has extensive global experience managing and driving growth in a wide range of industries, particularly in the intimate apparel and sleepwear categories through his tenure at Calvin Klein. Mr Hayes is a Certified Public Accountant and led the commercial finance and accounting team for the \$500 million Calvin Klein brand business in Europe in his capacity as Chief Financial Officer for the Europe region of The Warnaco Group.

Directors' report

Simon Tripp

Simon Tripp was appointed as a non-executive director of the Company on 18 January 2021.

Mr Tripp He has an honours degree in Chemical Engineering from Cape Town University and an MBA from Massey University in New Zealand. He has an extensive background in investment banking and capital markets. He was previously a director of Ord Minnett (subsequently acquired by JP Morgan) in Sydney where he was involved in many significant transactions involving IPO's, capital raisings, M&A and divestments across many sectors including aviation, media, tourism, property and financial services. Mr Tripp then established a fund with two other partners that raised the funding for and developed the Citibank Centre, a major commercial and retail centre in the Sydney CBD. The development was listed on the Australian ASX. During this time, the fund also managed the Sydney Olympic Stadium and he was on the board of the stadium during the Sydney 2000 Olympics. Since divesting his interests in the fund, Mr Tripp has been involved in a number of venture capital deals across many sectors including financial services, mining, retail and property. The Company believes Mr. Tripp's extensive experience in venture capital and financing makes him well suited to serve as a member of the board of directors

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 January 2021, and the number of meetings attended by each director were:

Directors name	Board meetings		Audit committee meeting	
	A	B	A	B
Paul Hayes	11	11	3	3
Andy Shape	13	13	4	4
Justin Davis	13	13	4	4
Kel Fitzalan	13	13	4	4
Simon Tripp	2	2	1	1

A = Number of meetings attended

B = Number of meetings held during the time the director held office during the year

Dividends

There were no dividends paid during the financial year (2020: \$Nil)

Matters subsequent to the end of the financial year

Refer Going Concern note 2(a) and Events Occurring After The Reporting Date note 39 of the Financial Statements.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Directors' report

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Justin Davis-Rice
Director
18 May 2021



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DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF NAKED BRAND GROUP LIMITED

As lead auditor of Naked Brand Group Limited for the year ended 31 January 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Naked Brand Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Tim Aman'.

Tim Aman
Director

BDO Audit Pty Ltd

Sydney

18 May 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 January 2021

	Note	For the Year Ended 31 January 2021 NZ\$000's	For the Year Ended 31 January 2020 NZ\$000's
Revenue	6	80,039	90,065
Cost of goods sold		(46,147)	(56,247)
Gross profit		33,892	33,818
Other income	7	4,223	-
Brand management expenses		(28,880)	(35,555)
Administrative expenses		(9,556)	(11,837)
Corporate expenses		(9,350)	(12,772)
Finance expense	8	(8,214)	(5,213)
Brand transition, restructure and transaction expenses	7	(22,527)	(14,593)
Impairment expense	7	(4,895)	(8,904)
Other foreign currency gains	9	3,642	615
Interest income		5	12
Gain on sale of intangible assets		-	906
Fair value loss on Convertible Notes derivative and warrants	12	(26,552)	-
Loss before income tax	7	(68,212)	(53,523)
Income tax (expense)/benefit	13	(134)	(782)
Loss for the period		(68,346)	(54,305)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	26	(4,484)	2,131
Other comprehensive (loss)/income for the period, net of tax		(4,484)	2,131
Total comprehensive loss for the period		(72,830)	(52,174)
Total comprehensive income/(loss) attributable to: Owners of Naked Brand Group Limited		(72,830)	(52,174)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 January 2021

	Note	For the Year Ended 31 January 2021	For the Year Ended 31 January 2020
Loss per share for profit from continuing operations attributable to the ordinary equity holders of the Group:			
Basic loss per share (NZ\$)	27	(0.62)	(34.74)
Diluted loss per share (NZ\$)	27	(0.62)	(34.74)

On 20 December 2019 the company executed a 1-100 reverse share split reducing the number of shares. The reverse split has also been reflected in the calculation of loss per share for the comparative periods. More details are contained in note 27.

The above consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position **As at 31 January 2021**

	Note	31 January 2021 NZ\$000's	31 January 2020 NZ\$000's
Assets			
Current assets			
Cash and cash equivalents	15	90,925	3,791
Trade and other receivables	16	8,134	6,057
Inventories	17	16,596	23,539
Current tax receivable		-	4
Total current assets		115,655	33,391
Non-current assets			
Property, plant and equipment	18	2,977	3,037
Right-of-use assets	19	18,401	23,809
Intangible assets	20	22,849	28,293
Total non-current assets		44,227	55,139
Total assets		159,882	88,530
Liabilities			
Current liabilities			
Trade and other payables	21	28,728	22,430
Lease liabilities	24	6,955	8,112
Borrowings	22	14,493	19,215
Derivative financial liabilities	35	629	-
Current tax liabilities		205	-
Provisions		870	5,844
Total current liabilities	23	51,880	55,601

Consolidated Statement of Financial Position **As at 31 January 2021**

	Note	31 January 2021 NZ\$000's	31 January 2020 NZ\$000's
Non-current liabilities			
Lease liabilities	24	14,597	17,719
Convertible loan notes	22	3,002	19,698
Provisions	23	1,212	1,796
Total non-current liabilities		18,811	39,213
Total liabilities		70,691	94,814
Net assets/(liabilities)		89,191	(6,284)
Equity			
Share capital	25	338,498	170,193
Other reserves	26	(4,366)	118
Accumulated losses	28	(244,941)	(176,595)
Total Equity		89,191	(6,284)

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the Year Ended 31 January 2021

	Ordinary Shares NZ\$000's	Accumulated Losses NZ\$000's	Foreign Currency Translation Reserve NZ\$000's	Total NZ\$000's
Balance at 1 February 2019	134,183	(121,651)	(2,013)	10,519
Adoption of AASB 16	-	(639)	-	(639)
Restated total equity at 1 February 2019	134,183	(122,290)	(2,013)	9,880
Loss for the year				
Other comprehensive income for the year	-	(54,305)	-	(54,305)
	-	-	2,131	2,131
Transactions with owners in their capacity as owners				
Issuance new shares for cash	12,586	-	-	12,586
Shares issued in lieu of inventory payment	15,525	-	-	15,525
Warrants issued	374	-	-	374
Conversion of debt	1,546	-	-	1,546
Convertible notes converted to equity	5,979	-	-	5,979
Balance 31 January 2020	170,193	(176,595)	118	(6,284)
Balance at 1 February 2020	170,193	(176,595)	118	(6,284)
Loss for the year				
Other comprehensive income for the year	-	(68,346)	-	(68,346)
	-	-	(4,484)	(4,484)
Transactions with owners in their capacity as owners				
Issuance new shares for cash	93,693	-	-	93,693
Shares issued in lieu of agreed settlement	5,503	-	-	5,503
Conversion of debt	1,689	-	-	1,689
Convertible notes converted to equity and exercise of warrant exchanges	67,420	-	-	67,420
Balance 31 January 2021	338,498	(244,941)	(4,366)	89,191

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the Year Ended 31 January 2021

	Note	For the Year Ended 31 January 2021 NZ\$000's	For the Year Ended 31 January 2020 NZ\$000's
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		87,004	103,459
Payments to suppliers and employees		(102,431)	(123,510)
Proceeds from Government wage subsidies		2,878	-
Rent concessions received		1,345	-
Income taxes refund/(paid)		186	157
Net cash outflow from operating activities	38	(11,018)	(19,894)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for intangible asset		(211)	-
Payments for property, plant and equipment		(1,498)	(1,294)
Proceeds from sale of intellectual property or business combination, net of cash acquired		-	906
Net cash outflow from investing activities		(1,709)	(388)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		93,693	12,586
Proceeds from borrowings - Convertible notes issue		19,309	21,507
Repayment of borrowings – Bank		(3,400)	(2,100)
Debt issuance costs		-	-
Principal repayment of lease liabilities		(7,136)	(8,127)
Interest paid on borrowings		(1,165)	(1,768)
Net cash inflow from financing activities		101,301	22,098

Consolidated Statement of Cash Flows

For the Year Ended 31 January 2021

	Note	For the Year Ended 31 January 2021 NZ\$000's	For the Year Ended 31 January 2020 NZ\$000's
Net increase/(decrease) in cash and cash equivalents held		88,574	1,816
Cash and cash equivalents at beginning of year		3,791	1,962
Effects of exchange rate changes on cash and cash equivalents		(1,440)	13
Cash and cash equivalents at end of the year	15	90,925	3,791

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

1 Description of business

Naked Brand Group Limited ("the Group or the Company") is a designer, distributor, wholesaler and retailer of women's and men's intimates apparel globally. The Group sells its merchandise through retail and outlet stores in New Zealand and Australia, wholesale operations in New Zealand, Australia, the United States and Europe, and through online channels. The Group operates both licenced and owned brands, including the following:

Licensed brands:

Heidi Klum (terminated on 31 January 2020 with specific details below), Fredericks of Hollywood

Owned brands:

Pleasure State, Davenport, Lovable, Bendon, Fayreform, Naked, VaVoom, Evollove, Hickory

The financial report covers Naked Brand Group Limited and its controlled entities ("the Group"). Naked Brand Group Limited is a for-profit Group, incorporated and domiciled in Australia.

Events in the prior year the following significant changes occurred, of which there is further disclosure contained within this report:

- On 28th January 2020, Naked Brand Group Limited agreed to sell all of its rights, title and interest in the trademarks related to the "Naked" and "NKD" brands to Gogogo SRL for a consideration of US \$0.6m (note 20).
- On 31st January 2020, the licence agreement with Heidi Klum was terminated by mutual consent for a fee of US\$3.5m which is to be paid in monthly instalments up to and including 30 December 2020. Under the terms of termination, the Group had the right to sell Heidi Klum branded product in the northern hemisphere until 31 July 2020 and the right to sell product in the southern hemisphere until 31 January 2021. As at 31 January 2021, the Group had no outstanding termination fees payable and had inventory of \$0.4m which has been fully provided for.

The financial report was authorised for issue by the Directors on May 18, 2021.

Comparatives are consistent with prior years, unless otherwise stated.

The amounts in the financial statements have been rounded to the nearest thousand dollars.

2 Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Naked Brand Group Limited is a for-profit entity for the purpose of preparing the financial statements.

(a) Historical cost convention

The financial statements are based on historical costs, except for the measurement at fair value of selected financial assets and financial liabilities.

(b) New standards, interpretations, and amendments not yet effective

There are a number of standards, amendments to standards, and interpretation which have been issued by the AASB that are effective in future accounting periods that the group has decided not to adopt early.

Notes to the Consolidated Financial Statements For the Year Ended 31 January 2021

(b) New standards, interpretations, and amendments not yet effective (continued)

In January 2020 the AASB issued the final amendments in *Classification of Liabilities as Current or Non-Current (Amendments to AASB 101)* which affect the presentation of liabilities in the statement of financial position. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The changes in *Classification of Liabilities as Current or Non-Current – Deferral of Effective Date (Amendments to AASB 101)* defer the effective date of the January 2020 *Classification of Liabilities as Current or Non-Current (Amendments to AASB 101)* to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments is permitted. Management is currently assessing the impacts of the amended standard.

In May 2020, the AASB issued amendments to AASB 137, *Provisions, Contingent Liabilities and Contingent Assets* ("AASB 137"). The amendments clarify that for purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for contracts for which an entity has not yet fulfilled all its obligations on or after January 1, 2022. Earlier application is permitted. Management is currently assessing the impacts of the amended standard.

In May 2020, the AASB issued further amendments to AASB 3, *Business Combinations* ("AASB 3") which update references in AASB 3 to the revised 2018 *Conceptual Framework*. To ensure that this update in referencing does not change which assets and liabilities qualify for recognition in a business combination, or create new Day 2 gains or losses, the amendments introduce new exception to the recognition and measurement principles in AASB 3.

An acquirer should apply the definition of liability in AASB 137, rather than the definition in the *Conceptual Framework*, to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, *Levies* ("IFRIC 21"). The acquire should apply the criteria in IFRSIC 21 to determine whether the obligation event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognise a contingent asset at the acquisition date. The amendments to AASB 3 are effective for business combinations occurring in the reporting periods starting on or after January 1, 2022. Earlier application is permitted. Management is currently assessing the impacts of the amended standard.

In May 2020, the AASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which made amendments to AASB 116. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. Management is currently assessing the impacts of the amended standard.

In May 2020, the AASB issued *Annual Improvements to IFRS standards 2018-2020* which contain an amendment to AASB 9. The amendment clarifies which fees an entity includes when it applies the "10 per cent" test in paragraph B3.3.6 of AASB 9 in assessing whether to recognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. Management is currently assessing the impacts of the amended standard.

3 Summary of Significant Accounting Policies

(a) Going concern

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

(a) Going concern (continued)

For the financial year ended 31 January 2021 the Group experienced a loss after income tax from continuing operations of NZ\$68.3 million and operating cash outflows of NZ\$11.0 million. It also is in a net current asset position of NZ\$63.8 million and a net asset position of NZ\$89.2 million.

The losses in the year ended 31 January 2021 of NZ\$68.3 million (2020: NZ\$54.3 million) are NZ\$14.0 million greater than the prior year. Gross profit was maintained at NZ\$33.9 million with the negative impact of lower sales as a result of COVID being offset by lower royalty costs following termination of the Heidi Klum license agreement in the prior year. All other costs were NZ\$14.8 million higher with a foreign currency benefit of NZ\$3.0 million and receipt of government subsidies and rent concessions of NZ\$4.2 million being more than offset by a NZ\$26.6 million fair value adjustment on convertible notes. The Group maintained its loan facility with the Bank of New Zealand, for the majority of the financial year ended 31 January 2021 the Group could not meet the compliance covenants.

The business raised NZ\$113.0 million of funds in the form of issued capital and convertible notes during the financial year to assist with the operating cash outflows and used this to repay \$3.4m of the bank debt. The Group also received NZ\$2.0 million in subsidies from the New Zealand Government and \$0.8m in subsidies from the Australian Government as well as receiving rent concessions of NZ\$1.3 million as a goodwill gesture from landlords due to COVID.

Since 1 February 2021 and to the date of signing this report, the Group has raised NZ\$298.3 million, in the form of issued shares and repaid the bank debt of NZ\$14.5 million in full on 9 February 2021.

As such, with over NZ\$300 million of cash in the business and a substantially strengthened Statement of Financial Position the directors have no reasonable doubt that the Company has adequate resources to continue to use the going concern basis of accounting in preparing the financial statements. Furthermore, whilst global macro-economic conditions remain uncertain with continued potential impacts from the COVID-19 pandemic and divestment of the Bendon business puts the Company in a confident position to safeguard the Group's ability to continue as a going concern.

(b) Basis for consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

3 Summary of Significant Accounting Policies

(c) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed before a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured, and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

(d) Income Tax

The tax expense/(benefit) recognised in the consolidated statements of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense/(benefit).

Current tax is the amount of income taxes payable/(recoverable) in respect of the taxable profit/(loss) for the period and is measured at the amount expected to be paid to/(recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by each jurisdiction by the end of the reporting period. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by each jurisdiction by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

3 Summary of Significant Accounting Policies

(d) Income Tax (continued)

In determining the amount of current and deferred income tax, the Group takes into account the impact of uncertain income tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period that such a determination is made.

(e) Revenue and other income

Sale of goods

Sales of goods through retail stores, e-commerce and wholesale channels are recognised when control of the products have been transferred to the customer which is a point in time. For wholesale and e-commerce sales, risks and rewards are transferred when goods are delivered to customers, and therefore reflects an estimate of shipments that have not been received at year end based on shipping terms and historical delivery times. The Group also provides a reserve for projected merchandise returns based on prior experience.

The Group sells gift cards to customers. The Group recognises revenue from gift cards when they are redeemed by the customers. In addition, the Group recognises revenue on all of its unredeemed gift cards when the gift cards have expired.

(i) Sale of goods - wholesale

The Group sells a range of lingerie products in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. The estimates of discount is based on the trading terms in the contracts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume payable to customers in relation to sales made until the end of the reporting period. The Group's obligation to provide a refund for faulty products under the standard trading terms is recognised as a provision.

(ii) Sale of goods - retail/e-commerce

The group operates a chain of retail stores and e-commerce websites selling lingerie products. Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the product. It is the group's policy to sell its products to the end customer with a right of return within 30 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in inventory if deemed saleable) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Interest revenue

Interest is recognised using the effective interest method.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

3 Summary of Significant Accounting Policies

(e) Revenue and other income (continued)

Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

- Government grants

Government grants are recognised in the income statement so as to match them with the expenditure towards which they are intended to contribute, to the extent that the conditions for receipt have been met and there is reasonable assurance that the grant will be received.

- Rent concessions

Rent concessions are recognised in the income statement and relate to changes to lease expenditure as a result of COVID. The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria and credited the consolidated statement of profit or loss and other comprehensive income.

(f) Brand management, administrative, corporate and brand transition, restructure and transaction expenses

Corporate expenses include head office costs such as human resources, finance team and rental costs. Administrative expenses include depreciation and amortisation, as well as professional accounting fees. Brand management expenses includes other costs incurred in selling products, including advertising, design and retail store occupancy and payroll. Brand transition, restructure and transaction expenses includes costs are extraordinary costs not normally associate with trading.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the weighted average costs basis and is net of any rebates and discounts received. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(i) Property, plant and equipment

Plant and equipment

Plant and equipment are measured using the cost model.

Under the cost model the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price and other directly attributable costs associated with locating the asset to the installation site, where applicable.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

3 Summary of Significant Accounting Policies

(i) Property, plant and equipment (continued)

Depreciation

Property, plant and equipment, is depreciated on a straight-line basis over the asset's useful life to the Group, commencing when the asset is ready for use.

The estimated useful lives used for each class of depreciable asset are shown below:

Fixed asset class	Useful life
Leasehold improvements	1 - 10 years
Plant, furniture, fittings and motor vehicles	3 - 7 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in accounting estimate.

(j) Leases

The Group adopted AASB 16 on 1 February 2019. The standard replaces AASB 117 'Leases' and IFRIC 4 'Determining whether an Arrangement Contains a Lease' and for lessees eliminates the classifications of operating leases and finance leases. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depletion, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

During the period, the Group received rent concessions of NZ\$1.3m, due to COVID-19. The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Group, occurred from March 2020 to June 2020. Rather than revaluating each lease, the Group opted to credit the consolidated statement of profit or loss and other comprehensive income as it is entitled to do under AASB 16.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The effect of applying the practical expedient is disclosed in note 24.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

3 Summary of Significant Accounting Policies

(j) Leases (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(k) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

(i) Classification

From 1 February 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

3 Summary of Significant Accounting Policies

(k) Financial Instruments (continued)

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 February 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

3 Summary of Significant Accounting Policies

(k) Financial Instruments (continued)

(v) Subsequent measurement

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions and does not have any hedged contracts in place.

The Group's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

All of the Group's derivative financial instruments that are not designated as hedging instruments are accounted for at fair value through profit or loss.

(l) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(m) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(n) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

3 Summary of Significant Accounting Policies

(p) Intangibles

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i) the consideration transferred;
- ii) any non-controlling interest; and
- iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired in a business combination.

Patents and licences

Separately acquired patents and licences are shown at historical cost. Licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Licence fees have an estimated useful life of 5 – 50 years.

Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and three years.

Brands

Brand assets relate to brands owned by the Group that have arisen on historical acquisitions. These assets were initially measured at fair value.

Brands are considered as to whether they have a finite or indefinite useful life at their acquisition and are amortized if considered to have a finite life. Brands are considered to have indefinite lives in circumstances when there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity they are not amortised. Brands with indefinite useful lives have been in existence for many years, are well established and show no signs of deteriorating. These indefinite life brands are assessed for impairment annually or more frequently if impairment indicators are noted.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and indefinite life brands, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill and indefinite life brands are not amortised but are tested for impairment annually or more frequently if impairment indicators exist. Goodwill is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

3 Summary of Significant Accounting Policies

(a) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Share based payments for cash settled phantom warrants

The Group also operates a phantom warrant share option scheme (a cash settled share based-payment) that vest in three tranches being 21 January 2021, 21 July 2021 and 21 January 2022. There are no conditions or restrictions to receiving the benefit of all the phantom warrants for the full bonus calculation period. An option pricing model is used to measure the Group's liability at each reporting date, taking into account the terms and conditions on which the bonus is awarded. Each tranche of phantom warrants may be exercised for cash at any time in the three year period following vesting date and as such is recognised as a liability. Movements in the liability (other than cash payments are recognised in the consolidated statement of profit or loss and other comprehensive income.

(r) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the consolidated statements of profit or loss and other comprehensive income.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(i) Onerous contract provision

The Group provides for future losses on long-term contracts where it is considered probable that the contract costs are likely to exceed revenues in future years. A provision is required for the present value of future losses. Estimating these future losses involves a number of assumptions about the achievement of contract performance targets and the likely levels of future cost escalation over time.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

3 Summary of Significant Accounting Policies

(r) Provisions (continued)

(ii) Make good provision

The Group is required to restore the lease premises of various retail stores to their original condition at the end of the respective lease terms. Provisions for make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the lease term.

(s) Earnings/(loss) per share

(i) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing:

- the profit/(loss) attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

For periods in which the Group has reported net losses, diluted net loss per share attributable to common shareholders is the same as basic net loss per share attributable to common stockholders, since their impact would be anti-dilutive to the calculation of net loss per share.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

3 Summary of Significant Accounting Policies

(t) Borrowings (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months or more after the reporting period.

(u) Convertible Notes

On issuance of the convertible notes, an assessment is made to determine whether the convertible notes contain an equity instrument or whether the whole instrument should be classified as a financial liability.

When it is determined that the whole instrument is a financial liability and no equity instrument is identified (for example for foreign-currency-denominated convertibles notes), the conversion option is separated from the host debt and classified as a derivative liability. The carrying value of the host contract (a contract denominated in a foreign currency) at initial recognition is determined as the difference between the consideration received and the fair value of the embedded derivative. The host contract is subsequently measured at amortised cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at the end of each reporting period through the profit and loss. The convertible note and the derivative are presented separately on the statement of financial position to interest-bearing loans and borrowings.

When it is determined that the instrument contains an equity component based on the terms of the contract, on issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not re-measured in subsequent years.

(v) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(w) Foreign currency transactions and balances

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in New Zealand dollars which is the parent entity's presentation currency.

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing foreign currency rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

3 Summary of Significant Accounting Policies

(w) Foreign currency transactions and balances

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statements of profit or loss and other comprehensive income in the period in which the operation is disposed.

(x) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The executive directors are the chief operating decision maker, responsible for allocating resources and assessing performance of the operating segments.

4 Changes in accounting policies

Effective 1 June 2020, AASB 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There are is no substantive change to other terms and conditions of the lease.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. This means the Group does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in AASB 16 in accounting for the concession. The effect of applying the practical expedient is disclosed in note 24.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

5 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - inventory

Each item on inventory is reviewed on an annual basis to determine whether it is being carried at higher than its net realisable value. During the period, management have written down inventory based on best estimate of the net realisable value, although until the time that inventory is sold this is an estimate.

Key estimates - fair value of financial instruments

The Group has certain financial assets and liabilities which are measured at fair value. Where fair value has not been able to be determined based on quoted price, a valuation model has been used. The inputs to these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the instruments could be affected by changes in these assumptions and inputs.

Key estimates - impairment of non-financial assets

In accordance with AASB 136 Impairment of Assets, the Group is required to estimate the recoverable amount of non-financial assets at each reporting period.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by their value in use or fair value less cost to sell.

In calculating the fair value less costs to sell, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in brand revenues
- market royalty rate
- the selection of discount rates to reflect the risks involved, and
- long-term growth rates
- cash flows from cash generating units

Changing the assumptions selected by management, in particular the growth rate, discount rate and market royalty rate assumption used, could significantly affect the Group's impairment evaluation and hence results.

The Group's review includes the key assumptions related to sensitivity in the model. Further details are provided in notes 18 to 20 to the consolidated financial statements

Key judgments - taxes

Deferred tax assets

Determining income tax provisions and the recognition of deferred tax assets including carried forward income tax involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable income being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

5

Critical Accounting Estimates and Judgments (continued)

Key judgments – determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised within the next 12 months. As per the Company policy, the options are not exercised when the lease terms are beyond 12 months as of the assessment date. When the Group has the option to lease the assets for additional terms, it applies judgement in evaluating whether it is reasonably certain to exercise the option to renew, considering all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Key judgments – rent concessions

Lease agreements have been reviewed and judgments have been made on whether rent concessions satisfy the criteria to be accounted for using the practical expedient introduced by the amendments to AASB 16. Lease concessions have been determined by the difference between the cost per the lease contract and actual amounts paid.

Key judgments – convertible notes

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability at amortised cost in the statement of financial position, net of transaction costs. On the issue of the convertible notes any fair value of the liability component is identified as a derivative and determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on a fair value basis until extinguished on conversion or redemption. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date or as a result of contract covenant failure. The accounting for subsequent changes in fair value is recognised in the profit or loss. The increase in the liability due to the passage of time is recognised as a finance cost. Any corresponding interest on convertible notes is expensed to profit or loss.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

6 Revenue

Revenue from continuing operations

	For the Year Ended 31 January 2021	For the Year Ended 31 January 2020
	NZ\$000's	NZ\$000's
Gross revenue	81,155	93,302
Rebates	(1,116)	(3,237)
	80,039	90,065
Sale of goods by channel		
- Retail	40,492	42,576
- Wholesale	7,496	15,553
- Online	32,051	31,936
	80,039	90,065
Sales of goods by geography		
- New Zealand	34,131	33,786
- Australia	21,011	24,365
- United States	24,432	30,863
- Europe	465	1,051
	80,039	90,065

Disaggregation of revenue

The Group derives its revenue from the transfer of goods at a point in time. The table above provides a breakdown of revenue by major business line. The categories above depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data. As disclosed in Note 14, the Group has three operating segments.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

7 Loss for the Period

The loss for the period was derived after charging/(crediting):

	For the Year Ended 31 January 2021 NZ\$000's	For the Year Ended 31 January 2020 NZ\$000's
Staff costs (see note 10) ¹	30,175	28,009
Depreciation of property, plant and equipment (see note 18)	1,098	1,338
Depreciation of right-of-use assets (see note 19)	7,144	8,676
Amortisation of acquired intangibles (see note 20) ²	458	589
Impairment of Plant and equipment (see note 18)	341	491
Impairment of right-of-use assets (see note 19)	1,221	-
Impairment of intangible assets (see note 20)	3,333	8,413
Loss on disposal of property, plant and equipment	134	322
Other income		
- Proceeds from Government wage subsidies	(2,878)	-
- Rent concessions received	(1,345)	-
Brand transition, restructure and transaction expense		
- Transaction expenses	3,009	9,597
- Agreed settlement of debt	5,701	-
- Contract termination costs	2,175	4,696
Operating lease rentals		
- Land and buildings	-	-
- Other	-	-
Gain on sale of intangible assets	-	(906)
Auditor's remuneration (note 11)	743	679

¹ Staff costs include an accrual of \$11,642k for phantom warrants which has been recognised in the brand transition, restructure and transaction expense line in the consolidated statement of profit or loss and other comprehensive income

² Amortisation charges on the Group's intangible assets are recognised in the administrative expenses line of the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

8 Finance expense

	For the Year Ended 31 January 2021 NZ\$'000's	For the Year Ended 31 January 2020 NZ\$'000's
- Interest expense on external borrowings	1,256	1,608
- Interest expense on convertible loan notes	5,681	1,425
- Interest expense on leases (see note 19)	1,405	1,674
- Interest (income)/expense on shareholder loans*	-	(165)
- Amortisation of loan set up costs	(128)	671
	8,214	5,213

* In the prior year, the shareholder loan payable was derecognised resulting in a reversal of interest expense.

9 Other foreign currency (gains)/losses

	For the Year Ended 31 January 2021 NZ\$'000's	For the Year Ended 31 January 2020 NZ\$'000's
- Fair value (gain)/loss on foreign exchange contracts	-	(729)
- Net foreign exchange loss/(gain)	(3,642)	114
	(3,642)	(615)

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

10 Staff costs

	For the Year Ended 31 January 2021 NZ\$'000's	For the Year Ended 31 January 2020 NZ\$'000's
Employee benefits expense:		
- Salaries and wages*	29,443	26,920
- Defined contribution expenses	732	1,089
	<u>30,175</u>	<u>28,009</u>

*Included in the current year's \$29.4m is an accrual for phantom warrants of \$11.6m which has been recognised as a brand transition, restructure and transaction expense in the consolidated statement of profit or loss and other comprehensive income. The Group uses the Black Scholes option pricing model to determine the fair value of the phantom warrants which have an exercise price of US\$0.37 which vests in three tranches being 21 January 2021, 21 July 2021 and 21 January 2022 equal to 1.50% of the outstanding shares of the Company on the vesting date. There are no conditions or restrictions to receiving the benefit of all the phantom warrants for the full bonus calculation period. Each tranche of phantom warrants may be exercised for cash at any time in the three year period following vesting date and as such is recognised as a liability.

11 Auditor's Remuneration

Pricewaterhouse Coopers Australia		
- Audit fees	-	-
- Taxation fees	-	-
- Other	-	10
Total remuneration to Pricewaterhouse Coopers Australia	<u>-</u>	<u>10</u>
Network firms of Pricewaterhouse Coopers Australia		
- Taxation services	-	-
BDO Audit Pty Ltd		
- Audit fees	593	403
- Other	150	266
Total remuneration to BDO Audit Pty Ltd	<u>743</u>	<u>669</u>
Total Auditor Remuneration	<u>743</u>	<u>679</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

12 Fair value loss on Convertible Notes derivative and warrants

	For the Year Ended 31 January 2021 NZ\$'000's	For the Year Ended 31 January 2020 NZ\$'000's
	26,552	-

Fair value loss on Convertible Notes and warrants

During the year ended 31 January 2021, the Group issued 3 convertible notes in February, April and July 2020 which contained embedded derivatives and warrants. AASB 132 requires the Group to measure the fair value of derivatives as at the inception date of the transaction and at each reporting period end until settled. The fair value of the embedded derivatives and warrants were determined using the Black-Scholes option pricing model. The charge in the year as a result of fair valuing the embedded derivatives was \$26.6m.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

13 Income Tax Expense/(benefit)

(a) The major components of tax expense/(benefit) comprise:

Current tax		
Current tax on profits for the period	27	28
Adjustments for current tax of prior periods	107	53
Total current tax expense/(benefit)	134	81
Deferred tax expense		
Decrease in deferred tax assets (note 31)	-	701
Income tax expense/(benefit) for continuing operations	134	782

(b) Reconciliation of income tax to accounting profit:

Loss before income tax	(68,212)	(53,523)
Tax at New Zealand tax rate of 28%	(19,099)	(14,986)
Tax effect of:		
- permanent differences (including impairment expense)	16,229	5,108
- adjustments in respect of current income tax of previous years	107	32
- effects of different tax rates of subsidiaries operating in other jurisdictions	(1)	(301)
- deferred tax assets relating to the current year not brought to account	2,910	10,163
- deferred tax assets relating to prior periods no longer recognised (note 31)	-	701
- other	(12)	65
Income tax expense/(benefit)	134	782

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

13 Income Tax Expense/(benefit) (continued)

(c) Tax losses not recognised

	For the Year Ended 31 January 2021 NZ\$000's	For the Year Ended 31 January 2020 NZ\$000's
Unused tax losses for which no deferred tax asset has been recognised	177,275	166,882
Potential tax benefit at 28%	49,637	46,727

The Group has assessed future forecast profits and concluded that not enough criteria have been satisfied to recognise any deferred tax assets at the period ended 31 January 2020. Unused tax losses do not have an expiry date. During the period, the Group de-recognised all deferred tax assets on timing differences carried forward from prior years, amounting to \$701,000 after accounting for exchange rate differences.

(d) Temporary differences not recognised

	For the Year Ended 31 January 2021 NZ\$000's	For the Year Ended 31 January 2020 NZ\$000's
Temporary differences for which no deferred tax asset has been recognised	10,115	9,825
Potential tax benefit at 28%	2,832	2,751

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

14 Operating Segments

Segment information

Identification of reportable operating segments

The consolidated entities' Director examined the group's performance from both sales channel and geographical perspective and identified three reportable segments being Retail, Wholesale and e-commerce.

Retail

This segment covers retail and outlet stores located in Australia and New Zealand.

Wholesale

This segment covers wholesale intimates apparel to customers in New Zealand, Australia, Europe and USA.

E-commerce

This segment covers the group's online retail activities. E-commerce revenue includes revenue from a US brand called Fredericks of Hollywood (FOH) for which the Group currently has a licence agreement.

These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer (who is identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews segment EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

EBITDA is a financial measure which is not prescribed by IFRS and represents the profit adjusted for specific non-cash and significant items. The directors consider EBITDA to reflect the core earnings of the consolidated entity.

The information reported to the CODM is on a monthly basis.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

14 Operating Segments (continued)

Other Costs and Business Activities

Certain costs are not allocated to our reporting segment results, such as costs associated with the following:

- Corporate overheads, which is responsible for centralized functions such as information technology, facilities, legal, finance, human resources, business development, and procurement. These costs also include compensation costs and other miscellaneous operating expenses not charged to our operating segments, as well as interest and tax income and expense.

These costs are included with in "unallocated" segment in our segment performance.

Other assets and liabilities

Assets and liabilities are managed on a Group basis, not by segment. CODM does not regularly review any asset or liability information by segment and its preparation is impracticable. Accordingly, we do not report asset and liability information by segment.

(a) Reconciliations

Reconciliation of segment revenue to consolidated statements of profit or loss and other comprehensive income:

	For the Year Ended 31 January 2021	For the Year Ended 31 January 2020
	NZ\$000's	NZ\$000's
Total segment revenue	89,590	104,153
Intersegment eliminations	(9,551)	(14,088)
Total revenue	80,039	90,065

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

14 Operating Segments (continued)

(a) Reconciliations

Reconciliation of segment EBITDA to the consolidated statements of profit or loss and other comprehensive income:

The Board meets on a monthly basis to assess the performance of each segment, net operating profit does not include non-operating revenue and expenses such as dividends, fair value gains and losses.

	For the Year Ended 31 January 2021	For the Year Ended 31 January 2020
	NZ\$000's	NZ\$000's
Segment EBITDA	690	(16,167)
Any other reconciling items	(68,902)	(37,356)
Income tax (expense)/benefit	(134)	(782)
Total net loss after tax	(68,346)	(54,305)

Any other reconciling items includes brand transition, finance expenses, impairment expense, depreciation and amortisation, fair value gain/loss on foreign exchange contracts, and unrealised foreign exchange gain/loss that cannot be allocated to segments.

(b) Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets are based on the location of the assets.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

14 Operating Segments (Continued)
(b) Geographical information

	For the Year Ended 31 January 2021	For the Year Ended 31 January 2020
	NZ\$000's	NZ\$000's
New Zealand	34,131	33,786
Australia	21,011	24,365
United States	24,432	30,863
Europe	465	1,051
	80,039	90,065

The revenues resulting from the Naked business combination in the June 2018 are included in the United States segment shown above.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

14 Operating Segments (continued)

(c) Segment performance

For the year ended 31 January 2021

	Retail NZ\$000's	Wholesale NZ\$000's	e-commerce NZ\$000's	Unallocated NZ\$000's	Total NZ\$000's
Revenue	40,492	7,496	32,051	-	80,039
Cost of goods sold	40,492	7,496	32,051	-	80,039
Gross profit	(19,188)	(4,636)	(21,604)	(719)	(46,147)
Other segment expenses*	21,304	2,860	10,447	(719)	33,892
	(17,359)	(1,425)	(10,096)	-	(28,880)
Unallocated expenses	-	-	-	-	-
Administrative expenses	-	-	-	(856)	(856)
Corporate expenses	-	-	-	(9,350)	(9,350)
Other income	-	-	-	4,223	4,223
Other foreign exchange gain	-	-	-	1,661	1,661
EBITDA	3,945	1,435	351	(5,041)	690
Brand transition, restructure and transaction expenses	-	-	-	(22,527)	(22,527)
Finance expense	-	-	-	(8,214)	(8,214)
Interest income	-	-	-	5	5
Impairment expense	-	-	-	(4,895)	(4,895)
Depreciation and amortisation	-	-	-	(8,700)	(8,700)
Fair value gain on foreign exchange contracts	-	-	-	-	-
Unrealised foreign exchange gain	-	-	-	1,981	1,981
Fair value loss on Convertible Notes derivative	-	-	-	(26,552)	(26,552)
Income/(loss) before income tax expense	3,945	1,435	351	(73,943)	(68,212)
Income tax expense	-	-	-	(134)	(134)
Income/(loss) after income tax expense	3,945	1,435	351	(74,077)	(68,346)

* Other segment expenses relate to brand management expenses.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

14 Operating Segments (continued)

(c) Segment performance

For the year ended 31 January 2020

	Retail NZ\$000's	Wholesale NZ\$000's	e-commerce NZ\$000's	Unallocated NZ\$000's	Total NZ\$000's
Revenue	42,576	15,554	31,935	-	90,065
Cost of goods sold	42,576	15,554	31,935	-	90,065
Gross profit	(19,582)	(11,342)	(20,916)	(4,407)	(56,247)
Other segment expenses*	22,994	4,211	11,020	(4,407)	33,818
	(18,784)	(3,112)	(13,659)	-	(35,555)
<i>Unallocated expenses</i>					
Administrative expenses	-	-	-	(1,234)	(1,234)
Corporate expenses	-	-	-	(12,772)	(12,772)
Other foreign exchange loss	-	-	-	(424)	(424)
EBITDA	4,210	1,099	(2,639)	(18,837)	(16,167)
Brand transition, restructure and transaction expenses**	-	-	-	(13,687)	(13,687)
Finance expense	-	-	-	(5,213)	(5,213)
Interest income	-	-	-	12	12
Impairment expense	-	-	-	(8,904)	(8,904)
Depreciation and amortisation	-	-	-	(10,603)	(10,603)
Fair value gain on foreign exchange contracts	-	-	-	729	729
Unrealised foreign exchange gain	-	-	-	310	310
Fair value gain/(loss) on Convertible Notes derivative	-	-	-	-	-
Income/(loss) before income tax expense	4,210	1,099	(2,639)	(56,193)	(53,523)
Income tax expense	-	-	-	(782)	(782)
Income/(loss) after income tax expense	4,210	1,099	(2,639)	(56,975)	(54,305)

* Other segment expenses relate to brand management expenses.

** Brand transition, restructure and transaction expenses are shown net of proceeds from the sale of Naked brand and trademarks.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

15 Cash and Cash Equivalents

Cash on hand	31 January 2021 NZ\$'000's	31 January 2020 NZ\$'000's
Cash at bank	38	44
	90,887	3,747
	90,925	3,791

16 Trade and Other Receivables

Trade receivables	31 January 2021 NZ\$'000's	31 January 2020 NZ\$'000's
Provision for impairment	1,645	2,358
	(183)	(22)
	1,462	2,336
Prepayments	6,304	2,959
Other receivables	368	762
Total current trade and other receivables	8,134	6,057

(a)

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Prepayments consist of advance payments made to suppliers in order to begin production, remaining annual insurance premiums and deposits on certain property leases.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

16 Trade and Other Receivables (continued)

(a) Impairment of receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 January 2021 is determined as follows, the expected credit losses incorporate forward looking information.

31 January 2021	0 - 30 days	31 - 60 days	61 - 90 days	> 91 days overdue	Total
Expected loss rate (%)	2%	50%	46%	60%	
Gross carrying amount (\$)	1,370	6	39	230	1,645
ECL provision	26	3	17	137	183

Reconciliation of changes in the provision for impairment of receivables is as follows:

Opening impairment allowance calculated under AASB 9

	For the Year Ended 31 January 2021 NZ\$000's	For the Year Ended 31 January 2020 NZ\$000's
Movement through provision	(22)	(609)
Unused amounts reversed	(247)	(4)
Foreign exchange movement	85	616
	1	(25)
Balance at end of the period	(183)	(22)

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group has recognised a loss allowance of 60% (2020: 100%) against identifiable receivables at risk in excess of 90 days because historical experience has indicated that these receivables are generally not recoverable.

The Group revised its estimation techniques and assumptions during the current reporting period based on prior experience and relevant forward-looking factors.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs first.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

17 Inventories

	31 January 2021	31 January 2020
	NZ\$000's	NZ\$000's
Finished goods	17,708	24,034
Provision for impairment	(1,112)	(495)
	16,596	23,539

Write downs of inventories to net realisable value during the period were NZ\$617k (2020: NZ\$51k) of which \$425k is related to Heidi Klum products which the Group no longer has a licence to sell. The sell through period for Heidi Klum products ended on 31 January 2021 following licence termination on 31 January 2020.

18 Property, plant and equipment

Leasehold Improvements		
At cost	8,598	11,456
Accumulated depreciation and impairment	(7,898)	(9,690)
	700	1,766
Plant, furniture, fittings and motor vehicles		
At cost	25,610	24,850
Accumulated depreciation	(23,333)	(23,579)
	2,277	1,271
Total property, plant and equipment	2,977	3,037

Notes to the Consolidated Financial Statements For the Year Ended 31 January 2021

18 Property, plant and equipment (continued)

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period:

	Leasehold improvements NZ\$000's	Plant, furniture, fittings and motor vehicles NZ\$000's	Total NZ\$000's
Year ended 31 January 2021			
Balance at the beginning of year	1,766	1,271	3,037
Additions	23	1,475	1,498
Disposals	(131)	(6)	(137)
Depreciation expense	(640)	(458)	(1,098)
Reclassification	-	-	-
Impairment loss	(341)	-	(341)
Adjustment to make good asset	-	-	-
Foreign exchange movements	23	(5)	18
Balance at the end of the year	700	2,277	2,977
Year ended 31 January 2020			
Balance at the beginning of year	3,264	499	3,763
Additions	191	1,103	1,294
Disposals	(28)	(324)	(352)
Depreciation expense	(461)	(877)	(1,338)
Reclassification	(1,070)	1,120	50
Impairment loss	(213)	(278)	(491)
Adjustment to make good asset	14	-	14
Foreign exchange movements	69	28	97
Balance at the end of the year	1,766	1,271	3,037

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

19 Right-of-use assets

The Group leases warehouse, retail and office facilities. The leases typically run for a period of 5 years with an option to renew the lease after that date. Lease payments are renegotiated every resigning period to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-leasing arrangements. The Group also leases information technology and other point of sale equipment.

Information about leases for which the Group is a lessee is presented below:

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see note 18).

Balance as at 1 February
Additions to right-of-use-assets
Depreciation charge for the year
Impairment of right-of-use assets
Foreign exchange movements
Balance at 31 January 2021

	Land & Buildings NZ \$000's	Plant, furniture, fittings and motor vehicles NZ \$000's	Total NZ \$000's
	23,392	417	23,809
	2,700	100	2,800
	(6,982)	(162)	(7,144)
	(1,221)	-	(1,221)
	157	-	157
	18,046	355	18,401

Balance as at 1 February
Additions to right-of-use-assets
Depreciation charge for the year
Balance at 31 January 2020

	Land & Buildings NZ \$000's	Plant, furniture, fittings and motor vehicles NZ \$000's	Total NZ \$000's
	25,616	542	26,158
	6,255	72	6,327
	(8,479)	(197)	(8,676)
	23,392	417	23,809

Notes to the Consolidated Financial Statements
For the Year Ended 31 January 2021

19 Right-of-use assets (continued)

Amounts recognised in profit or loss

Interest expense on lease liabilities

	2021 NZ \$000's	2020 NZ \$000's
	1,405	1,674

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

20 Intangible Assets

	31 January 2021	31 January 2020
	NZ\$'000's	NZ\$'000's
Goodwill		
Cost	5,516	6,091
Accumulated impairment	(5,516)	(6,091)
	-	-
Patents and licences		
Cost	22,863	25,151
Accumulated amortisation and impairment	(3,649)	(3,489)
	19,214	21,662
Brands		
Cost	12,253	12,032
Accumulated amortisation and impairment	(8,810)	(5,401)
	3,443	6,631
Software and Website		
Cost	15,749	15,548
Accumulated amortisation and impairment	(15,557)	(15,548)
	192	-
Total Intangible assets	22,849	28,293

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

20 Intangible Assets (continued)

(a) Movements in carrying amounts of intangible assets

	Goodwill NZ\$000's	Patents and licences NZ\$000's	Brands NZ\$000's	Software and Website NZ\$000's	Total NZ\$000's
Year ended 31 January 2021					
Balance at the beginning of the year	-	21,662	6,631	-	28,293
Additions	-	-	-	211	211
Amortisation	-	(442)	-	(16)	(458)
Impairment (note 7)	-	-	(3,333)	-	(3,333)
Foreign exchange movements	-	(2,006)	145	(3)	(1,864)
Closing value at 31 January 2021	-	19,214	3,443	192	22,849

	Goodwill NZ\$000's	Patents and licences NZ\$000's	Brands NZ\$000's	Software and Website NZ\$000's	Total NZ\$000's
Year ended 31 January 2020					
Balance at the beginning of the year	2,320	25,075	10,205	263	37,863
Adjustments*	-	(2,310)	-	-	(2,310)
Amortisation	-	(589)	-	-	(589)
Impairment (note 7)	(2,480)	(2,037)	(3,694)	(202)	(8,413)
Reclassification	-	-	-	(50)	(50)
Foreign exchange movements	160	1,523	120	(11)	1,792
Closing value at 31 January 2020	-	21,662	6,631	-	28,293

* During the prior year, a financial liability relating to a shareholder loan on the statement of financial position of Frederick's of Hollywood (FOH) on the acquisition of FOH Online Corp Inc. was derecognised as the stock purchase agreement stipulated the transaction was debt free. This has resulted in a reduction to the carrying value of the acquired intangible asset with a write back to the profit and loss account for the accrued and capitalised interest.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

20 Intangible Assets (continued)

(b) Impairment testing for goodwill

For the purpose of impairment testing, goodwill is allocated to cash-generating units as below:

Description of the cash-generating unit (CGU)	For the Year Ended 31 January 2021 NZ \$'000's	For the Year Ended 31 January 2020 NZ \$'000's
United States	-	2,480
Impairment of goodwill	-	2,480

Impairment assumptions

Goodwill on the merger of Naked Inc. was allocated to the Group's operation in United States which is the cash generating unit (CGU) for the purpose of impairment testing. In the prior year, goodwill was fully impaired resulting in a carrying value of \$nil.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

20 Intangible Assets (continued)
(c) Impairment of patents & licences

In the prior year, the Group fully impaired the carrying value of patents and licence acquired as part of the Naked merger and partially impaired the Fredericks of Hollywood (FOH) licence which was acquired on 8 December 2018 as part of the Stock Purchase Agreement with the shareholders of FOH Online Corp Inc.

	For the Year Ended 31 January 2021 NZ \$'000's	For the Year Ended 31 January 2020 NZ \$'000's
FOH licence	-	1,914
Naked patents & licence	-	123
Impairment of patents & licences	-	2,037

Impairment assumptions

Management has determined the recoverable amount of the FOH licence asset by assessing the value in use (VIU) of the underlying assets. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates shown below. These growth rates do not exceed the long-term average growth rates for the industry. The result of the impairment assessment is that the value in use exceeded the carrying value of the FOH licence resulting in no impairment charge during the year.

Management's approach and the key assumptions used to determine the VIU were as follows:

Sales growth: 12.0% in FY22, 7.5% in FY23, 5% in FY24 and 4% in FY25 and FY26 (31 January 2020: 5.0% to 9.0%)

Net margin: 31% to 35% between FY22 and FY26

EBITDA margin: 3% to 10% between FY22 and FY26

Cash flow - revenue forecast period: 5 years (31 January 2020: 5 years)

Post-tax discount rate (%): 10.5% (31 January 2020: 10.5%)

Long term sales growth rate (%): 2.0% (31 January 2020: 2.0%)

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

20 Intangible Assets (continued)

(d) Impairment testing for indefinite-lived brand intangibles

Brand intangible assets represent brands owned by the Group, that arose on historical acquisitions including Pleasure State, Davenport and Lovable.

	For the Year Ended 31 January 2021 NZ \$000's	For the Year Ended 31 January 2020 NZ \$000's
Pleasure State	2,002	125
Davenport and Lovable	1,331	1,439
Naked	-	2,130
Impairment of indefinite-lived brand intangibles	3,333	3,694

The brand intangible assets of \$3,443,000 (2020: \$6,631,000) are tested for impairment annually.

Impairment assumptions

Management has determined the recoverable amount of the indefinite-lived brand assets by assessing the fair value less cost of disposal (FVLCD) of the underlying assets. The relief from royalty method adopted to complete the valuation determines, in lieu of ownership, the cost that would be required to obtain comparable rights to use the asset via a third-party licence arrangement. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates shown below. These growth rates do not exceed the long-term average growth rates for the industry. The result of the impairment assessment is that the carrying value has exceeded the fair value less costs to sell by \$3.3m. As such, the indefinite-lived brand assets has been partially impaired for the year ended 31 January 2021.

Management's approach and the key assumptions used to determine the FVLCD were as follows:

Sales growth: 0% (31 January 2020: 5-9%)
Royalty rate: 5.0% (31 January 2020: 5.0%)
Cash flow - revenue forecast period: 5 years (31 January 2020: 5 years)
Post-tax discount rate (%) for US brands*: 10.50% (31 January 2020: 10.50%)
Post-tax discount rate (%) for NZ brands: 15.50% (31 January 2020: 11.75%)
Long term sales growth rate (%): 2% (31 January 2020: 2%)

Impact of possible changes in key assumptions

The directors have made judgements and estimates to assess indefinite-lived assets for impairment. Should these judgements and estimates not occur the resulting carrying amount may decrease.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

20 Intangible Assets (continued)

(d) Impairment testing for indefinite-lived brand intangibles

The sensitivities that have been separately modelled are as follows:

- (a) a 0.8% increase in the post-tax discount rate
- (b) 1.7% decrease in the terminal growth
- (c) 5.0% decrease in sales forecast

The carrying amounts of the indefinite-lived brand intangible assets are sensitive to assumptions used in the impairment test calculations including the post-tax discount rate and sales growth rate. A 0.8% increase in the post-tax discount rate would result in an additional impairment of \$0.141 million (31 January 2020: an increase of 2.1% would result in an impairment of \$1.047 million) against the carrying amount of the indefinite-lived brand intangibles. A 1.7% reduction in terminal growth would result in an additional impairment of \$0.816 million against the carrying amount of the indefinite-lived brand intangibles. A 5% decrease in sales forecast would result in an additional impairment of \$0.581 million (31 January 2020: a reduction in sales growth to 0% would result in an impairment of \$1.749 million) against the carrying amount of the indefinite-lived brand intangibles.

*On 28 January 2020, Naked Brand Group Limited agreed to sell all of its rights, title and interest in the trademarks related to the "Naked" and "NKD" brands to Gogogo SRL for a consideration of US \$0.6m. The Group therefore does not own a US brand.

(e) Software impairment

In the prior year, software was fully impaired (\$0.202m) and in the current year, the Group capitalised website development costs of \$0.2m and will be subject to future impairment review.

(f) Sale of intangible asset

In the prior year, Naked Brand Group Limited agreed to sell all of its rights, title and interest in the trademarks related to the "Naked" and "NKD" brands to Gogogo SRL for a consideration of US \$0.6m (NZ \$0.906m). At the date of sale, the intangible assets sold had a book value of nil as they had been fully impaired, resulting in a gain on sale of intangible assets of US\$0.6m (NZ \$0.906m) which was recognised in the profit and loss account.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

21 Trade and Other Payables

	31 January 2021	31 January 2020
	NZ\$000's	NZ\$000's
Current:		
Trade payables	6,250	10,407
Accruals	7,250	8,593
Employee benefit liabilities	15,228	3,430
	28,728	22,430

Trade and other payables are unsecured and are normally settled within terms of trade however some the trade creditors are out of term as at 31 January 2021. The Group is actively working to bring all of the creditors in term. The carrying amounts are considered to be a reasonable approximation of fair value.

Employee benefits liabilities includes an accrual of \$11.6m relating to phantom warrants. The Group uses the Black Scholes option pricing model to determine the fair value of the phantom warrants which have an exercise price of US\$0.37 which vests in three tranches being 21 January 2021, 21 July 2021 and 21 January 2022 equal to 1.50% of the outstanding shares of the Company on the vesting date. There are no conditions or restrictions to receiving the benefit of all the phantom warrants for the full bonus calculation period. Each tranche of phantom warrants may be exercised for cash at any time in the three year period following vesting date and as such is recognised as a liability

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

22 Borrowings

	31 January 2021 NZ\$'000's	31 January 2020 NZ\$'000's
Amounts due in less than one year:		
Secured liabilities:		
Bank loans	14,500	17,900
Debt issuance costs in relation to bank loan	(7)	-
Other loan	-	1,315
	<u>14,493</u>	<u>19,215</u>
Amounts due after more than one year:		
Unsecured liabilities:		
Convertible loan notes	3,002	19,698
	<u>3,002</u>	<u>19,698</u>
	<u>17,495</u>	<u>38,913</u>

The fair value of borrowings is not considered to be materially different to their carrying amounts.

(a) Assets pledged as collateral:

Borrowings are collateralized by a fixed and floating charge over the assets of the Group. The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

(b) Bank overdrafts, bank loans and bank loan covenants

On 12 March 2020, the Group entered into a Deed of Amendment with the Bank of New Zealand to extend its loan facility of NZD\$16,700,000 (31 January 2020: NZD\$17,900,000) until March 2022. Interest rate charges ranged between 4.25% and 5.26%. The facility includes guarantees and financial instruments totalling NZD\$1,345,000.

Bank of New Zealand has the first ranking charge over all assets of the Group. Under the terms of the facility, the Group must meet specific covenant obligations namely sales and gross margin adverse variances to budget to be no greater than 15% and inventory to cover bank debt 1.35 times (which increased to 1.65 times from and including 31 July 2020). Throughout the majority of the current financial year, the Group was in breach of all covenant measures. The extended borrowing has therefore been classified as a current liability as at the year end. Sales, gross margin and inventory were all negatively impacted by COVID-19 due to store closures and delayed inventory shipments from suppliers.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

22 Borrowings (continued)

(c) Convertible notes

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability at amortised cost in the statement of financial position, net of transaction costs. On the issue of the convertible notes any fair value of the liability component is identified as a derivative and determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on a fair value basis until extinguished on conversion or redemption. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date or as a result of contract covenant failure. The accounting for subsequent changes in fair value is recognised in the profit or loss. The increase in the liability due to the passage of time is recognised as a finance cost. Any corresponding interest on convertible notes is expensed to profit or loss.

In February and April 2020, the Group completed 2 separate private placements of secured convertible notes to 1 private investor for a cash consideration of \$7.2m (US\$4.5m) with discounts and fees totalling \$0.5m (US\$0.3m) and a daily compounding interest rate of 20%. During the year, the note holder elected to exchange their warrant in return for a one-time 5% increase on the Note balance on the date of election. Total warrants exchanged for an increase in Note balance during the year was \$0.3m (US\$0.2m). In addition to warrant exchanges, the Note holder is also entitled to a one-time 10% increase in Note value if the Group fails to meet its financial and/or filing obligations contained under the Note agreement. The total increase in principal Note balance relating to financing and/or filing penalties during the year was \$1.4m (US\$0.9m). By the year end the convertible note issued in February had been fully converted to equity while the convertible note issued in April remained outstanding.

In July 2020, the Group completed a private placement of a convertible promissory note (the "July Note") and a warrant to purchase ordinary shares (the "July Purchase Warrant") to one of the Affiliated Holders, Iliad Research Trading L.P., pursuant to a Securities Purchase Agreement, for an aggregate purchase price of \$12.1m (US\$8.0m). The July Note was issued with an original issue discount of 5%, and certain expenses of the Affiliated Holder were added to the balance of the July Note, for an original principal balance of \$12.8m (US\$8.4m). The Group also granted a financing rebate to the Affiliated Holder, resulting in net proceeds to the Group of approximately \$10.9m (US\$7.2m) from the sale of the July Note. The July Note provided for interest at the following rates: (i) for a period of 90 days starting on its issuance date, 2.0% per annum, (ii) for the next 90 days, 10.0% per annum and (iii) thereafter, 15.0% per annum, and provided for maturity on the second anniversary of its issuance. The July Note was convertible, at our election (subject to certain limitations) or at the election of the Affiliated Holder, into ordinary shares at a conversion price equal to US\$0.2424. The July Purchase Warrant entitled the Affiliated Holder to purchase ordinary shares at an exercise price of US\$0.6707 per share. In addition, if the exercise price of the July Purchase Warrant was higher than the last closing bid price of the ordinary shares, the July Purchase Warrant could be exercised on a cashless basis for a number of shares equal to the Black-Scholes value per share underlying the July Purchase Warrant, multiplied by the number of shares as to which the July Purchase Warrant was being exercised, divided by the closing bid price as of two business days prior to the exercise date, but in any event not less than the floor price specified in the July Purchase Warrant. For this purpose, the Black-Scholes value per share underlying the July Purchase Warrant was a fixed value as set forth in the July Purchase Warrant.

The July Note has been converted in full into an aggregate of 35,081,733 Ordinary Shares and the July Purchase Warrant had been exercised in full, pursuant to the Black-Scholes cashless exercise provision, for an aggregate of 47,817,633 Ordinary Shares.

As at 31 January 2021, the Group had a principal amount of \$2.8m (US\$2.0m) and accrued interest of \$0.2m (US\$0.1m) with the total owing of \$3.0m (US\$2.1m) on the statement of financial position and interest charged to the Profit or Loss account. When a conversion option is exercised the amount of conversion is taken to share capital, reducing the loan note balance.

(d) Other loans

On 3 July 2020, the balance (principle and interest) that existed at 31 January 2020 (US\$1.1m, NZ\$1.6m) was fully converted into Naked ordinary shares at a price of US\$0.66 by mutual consent.

Notes to the Consolidated Financial Statements
For the Year Ended 31 January 2021

23 Provisions

Current:
Other provisions
Make good

	31 January 2021 NZ\$'000's	31 January 2020 NZ\$'000's
	92	5,205
	778	639
	870	5,844

Non-current:
Make good

	31 January 2021 NZ\$'000's	31 January 2020 NZ\$'000's
	1,212	1,796
	1,212	1,796

Opening balance at 1 February 2020
Additional provisions recognised
Amounts used during the period
Exchange differences

	Lease contributions NZ\$'000's	Other provisions NZ\$'000's	Make good NZ\$'000's	Total NZ\$'000's
	-	5,205	2,435	7,640
	-	-	26	26
	-	(5,113)	(506)	(5,619)
	-	-	35	35
	-	92	1,990	2,082

Balance at 31 January 2021

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

23 Provisions (continued)

	Lease contributions NZ\$000's	Other provisions NZ\$000's	Make good NZ\$000's	Total NZ\$000's
Opening balance at 1 February 2019	1,085	-	2,208	3,293
Impact of AASB 16	(1,102)	-	-	(1,102)
Additional provisions recognised	-	5,205	307	5,512
Amounts used during the period	-	-	(64)	(80)
Exchange differences	17	-	(16)	1
Balance at 31 January 2020	-	5,205	2,435	7,640

Other provisions

On 31 January 2020, the Group entered into an agreement terminating the license agreement with Heidi Klum. The termination agreement provides that we may continue selling existing Heidi Klum branded products, as well as Heidi Klum branded products manufactured on or prior to June 30, 2020 under existing contracts. The right to continue selling such products will continue until six months after the date of the termination agreement in the Northern Hemisphere and until 12 months after the date of the termination agreement in the Southern Hemisphere. A termination fee to Heidi Klum in lieu of further royalties is payable in instalments through to 30 December 2020. At 31 January 2020 the termination costs of the contract are greater than the economic benefit and hence the contract has been identified as onerous. A provision is recognised for an amount the termination costs exceed the economic benefits. At 31 January 2021, this provision has been fully utilised.

Make good

In accordance with certain lease agreements, the Group must refurbish and restore the lease premises to a condition agreed with the landlord at the end of the lease term or as prescribed. The provision has been calculated using a pre-tax discount rate of 2% (2019: 2%), and other market assumptions and re-assessed annually.

During the 2021 financial year an additional \$26,000 (2020: \$307,000) was recognised in relation to new retail leases in New Zealand and Australia.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

24 Lease Liabilities

The following elections for AASB 16 were taken on transition date:

- the Group did not reassess whether existing contracts are, or contain, a lease and applied AASB 16 only to existing contracts that were previously identified as lease under AASB 117;
- the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- leases with a remaining term of less than 12 months from the transition date and low value lease are expensed on a straight-line basis to the Consolidated Profit or Loss account.

Undiscounted contractual maturity of lease liabilities

Amounts payable:

Within one year

2 to 5 years inclusive

After 5 years

	31 January 2021 NZ\$000's	31 January 2020 NZ\$000's
	6,955	8,112
	13,661	17,553
	936	166
	<u>24,059</u>	<u>25,831</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

25 Share Capital (continued)

(b) Capital Management

The key objectives of the Group when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The Group defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high return on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements.

The gearing ratio for the years ended 31 January 2021 and 31 January 2020 are as follows:

	Note	31 January 2021 NZ\$000's	31 January 2020 NZ\$000's
Total borrowings	22	17,495	38,913
Less Cash and cash equivalents	15	(90,925)	(3,791)
(Net cash)/net debt		(73,430)	35,122
Equity		89,191	(6,284)
Total capital		15,788	28,838
Gearing ratio		20%	(619%)

Notes to the Consolidated Financial Statements **For the Year Ended 31 January 2021**

25 Share Capital (continued)

(b) Warrants

The following warrants were outstanding as at 31 January 2021 (31 January 2020: 610,122).

Average Exercise Price (USD)	Issue Date	Expiry Date	No. of warrants
\$0.01 - \$0.50	Mar-19	Mar-21	42,285
	Mar-19	Mar-23	14,000
	Apr-19	Apr-22	500
	May-19	May-21	10,000
	Jul-19	May-25	170,100
	Aug-19	Feb-25	285,714
	Aug-19	Aug-24	22,857
\$1.51 - \$2.00	Nov-17	Nov-21	2,000
	Oct-18	Oct-21	20,000
\$2.01 - \$4.00	Jun-18	Jun-23	8,000
	Mar-19	Mar-21	3,922
\$4.01 +	May-18	May-21	2,816
Total number of outstanding warrants as at 31 January 2021			582,194

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

26 Reserves

Foreign currency translation reserve

Opening balance

Transfers in

Balance at the end of the year

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

	31 January 2021 NZ\$000's	31 January 2020 NZ\$000's
	118	(2,013)
	(4,484)	2,131
	<u>(4,366)</u>	<u>118</u>

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

27 Loss per Share

(a) Basic and diluted loss per share

	For the Year Ended 31 January 2021 NZ\$	For the Year Ended 31 January 2020 NZ\$
	(0.62)	(34.74)
	(0.62)	(34.74)

From continuing operations attributable to the ordinary equity holders of the Group

Total basic and diluted loss per share attributable to the ordinary equity holders of the Group

(b) Reconciliation of loss used in calculating loss per share

	For the Year Ended 31 January 2021 NZ\$000's	For the Year Ended 31 January 2020 NZ\$000's
	(68,346)	(54,305)

Basic and diluted loss per share

Loss attributable to the ordinary equity holders of the Group used in calculating basic earnings per share:

(c) Weighted average number of shares used as the denominator

	31 January 2021 Number	31 January 2020 Number
	109,370,410	1,563,056

Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

27 Loss per Share (continued)

(d) Information concerning the classification of securities

Convertible Notes

At 31 January 2021, the Group had 1 outstanding convertible note principal of \$2.8m and accrued interest and fair value adjustments of \$0.8m. Please refer to note 22(c).

28 Accumulated Losses

Accumulated losses at the beginning of the financial year

Adoption of AASB 16

Loss for the year

Accumulated losses at end of the financial year

Year Ended 31 January 2021 NZ\$000's	Year Ended 31 January 2020 NZ\$000's
(176,595)	(121,651)
-	(639)
(68,346)	(54,305)
(244,941)	(176,595)

29 Other Financial Commitments

(a) Contracted Commitments

Licence contract

- not later than one year

- between one year and five years

31 January 2021 NZ\$000's	31 January 2020 NZ\$000's
-	5,392
-	-
-	5,392

On 31 January 2020 the Group, through mutual consent, terminated the licence agreement with Heidi Klum and Heidi Klum Company LLC of a fee of US\$3.5m which was paid in full during the year.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

30 Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instruments used by the Group are:

- Trade receivables
- Cash at bank
- Bank overdraft
- Trade and other payables
- Floating rate bank loans
- Forward currency contracts
- Shareholders loan

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

30 Financial Risk Management (continued)

The financial assets of the Group were as follows:

	31 January 2021	31 January 2020
	NZ\$000's	NZ\$000's
- Cash and cash equivalents	90,925	3,791
- Trade receivables	1,462	2,336
	92,387	6,127

The Directors consider that the carrying amount for all financial assets approximates to their fair value.

Objectives, policies and processes

Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the consolidated statement of financial position due to the effect of discounting.

Due to the recent developments of COVID-19, the company has been further tasked to preserve cash due to the recent lockdown procedures that have occurred in the company's main markets meaning retail stores are closed and the company is heavily reliant on its e-commerce segment. In addition, the company has applied for government subsidies where appropriate to help alleviate the impact of reduced cash inflow from store closures. At the date of this report, the Group had received \$2.0m in subsidies from the New Zealand Government and \$0.8m from the Australian Government.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

30 Financial Risk Management (continued)

The Group's liabilities have contractual maturities which are summarised below:

	Non-derivatives Borrowings NZ\$000's	Non-derivatives Trade payables NZ\$000's	Non-derivatives Total NZ\$000's	Derivatives Gross future cash settlement on contracts - inflow NZ\$000's	Derivatives Gross future cash settlement on contracts - (outflow) NZ\$000's	Derivatives Total NZ\$000's
Not later than 1 month						
31 January 2021	48	6,250	6,289	-	-	-
31 January 2020	2,052	10,407	12,459	-	-	-
1 to 3 months						
31 January 2021	14,596	-	14,596	-	-	-
31 January 2020	18,044	-	18,044	-	-	-
3 months to 1 year						
31 January 2021	-	-	-	-	-	-
31 January 2020	-	-	-	-	-	-
1 to 5 years						
31 January 2021	4,256	-	4,256	-	-	-
31 January 2020	28,764	-	28,764	-	-	-
Total						
31 January 2021	18,900	6,250	25,150	-	-	-
31 January 2020	48,860	10,407	59,267	-	-	-

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

30 Financial Risk Management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The Group operates out of 59 stores across Australasia while having offices in New Zealand which all have committed leasing obligations. COVID-19 has caused the Group to negotiate payments terms across its supplier ledger until such time that normal trading resumes.

Trade receivables and contract assets

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

The credit risk for liquid funds and other short-term financial assets is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

On a geographical basis, the Group has significant credit risk exposures in New Zealand and Australia, given the substantial operations in those regions.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rate.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

30 Financial Risk Management (continued)

Trade receivables **Counterparty without external credit ratings**

New customer less than 6 months
Existing customers (more than 6 months with default in past)

Total

31 January 2021 **31 January 2020**
NZ\$000's **NZ\$000's**

-	-
1,645	2,358
1,645	2,358

Cash at bank

Credit ratings

AA-

A+

Total

31 January 2021 **31 January 2020**
NZ\$000's **NZ\$000's**

90,887	3,747
-	-
90,887	3,747

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

On a geographical basis, the Group has significant credit risk exposures in New Zealand and Australia, United States and United Kingdom given the substantial operations in those regions.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

A significant amount of inventory is purchased in US dollars with sales primarily being generated in Australian and New Zealand dollars. COVID-19 will put additional uncertainty as exchange rates become more volatile.

(i) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the functional currency of the Group.

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in currencies other than the functional currency, in particular USD.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

30 Financial Risk Management (continued)

Foreign currency denominated financial assets and liabilities, translated into New Zealand Dollars at the closing rate, are as follows:

	AUD NZ\$000's	USD NZ\$000's	GBP NZ\$000's	EUR NZ\$000's	HKD NZ\$000's	Total NZ\$000's
31 January 2021						
Nominal amounts	-	(2)	13	90	-	101
Trade receivables	20	741	-	-	-	761
Trade payables	9,943	78,506	89	12	2	88,552
Cash and cash equivalents						
31 January 2020						
Nominal amounts	-	19	20	441	-	480
Trade receivables	12	4,068	85	1	2	4,168
Trade payables	1,500	747	85	5	4	2,341
Cash and cash equivalents						

The table on the next page illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the US dollar - New Zealand Dollar, Australian Dollar - New Zealand Dollar, GB Pound - New Zealand Dollar, Euro - New Zealand Dollar, and Hong Kong Dollar - New Zealand Dollar exchange rates. There have been no changes in the assumptions calculating this sensitivity from prior years.

It assumes a 10% change of the New Zealand Dollar / Australian Dollar exchange rate for the year ended 31 January 2021 (31 January 2020: 10%, 31 January 2019: 10%). A 10% change is considered for the New Zealand Dollar / US Dollar exchange rate (31 January 2020: 10%, 31 January 2019: 10%). A 10% change is considered for the New Zealand Dollar / GB Pound exchange rate (31 January 2020: 10%, 31 January 2019: 10%). A 10% change is considered for the New Zealand Dollar / Euro exchange rate (31 January 2020: 10%, 31 January 2019: 10%). All of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

The year-end rates are 0.9348 AUD, 0.7168 USD, 0.5228 GBP, 0.5921 EUR and 5.5574 HKD.

The sensitivity analysis is based on the foreign currency financial instruments held at the reporting date.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

30 Financial Risk Management (continued)

If the New Zealand Dollar had strengthened and weakened against the Australian Dollar, US Dollar, GB Pound, Euro and HK Dollar by 10% (31 January 2020: 10%, 31 January 2019: 10%) and 10% (31 January 2020: 10%, 31 January 2019: 10%) respectively then this would have had the following impact:

	NZ\$000's	
	+10%	-10%
USD		
Net results/Equity (31 January 2021)		
Net results/Equity (31 January 2020)		
Net results/Equity (31 January 2019)		
AUD		
Net results/Equity (31 January 2021)		
Net results/Equity (31 January 2020)		
Net results/Equity (31 January 2019)		
GBP		
Net results/Equity (31 January 2021)		
Net results/Equity (31 January 2020)		
Net results/Equity (31 January 2019)		
EUR		
Net results/Equity (31 January 2021)		
Net results/Equity (31 January 2020)		
Net results/Equity (31 January 2019)		
HKD		
Net results/Equity (31 January 2021)		
Net results/Equity (31 January 2020)		
Net results/Equity (31 January 2019)		

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

30 Financial Risk Management (continued)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

Forward exchange contracts

The Group has no open forward exchange contracts at the end of the reporting period.

The following table summarises the notional amount of the Group's commitments in relation to forward exchange contracts.

	Notional Amounts		Average Exchange Rate	
	31 January 2021	31 January 2020	31 January 2021	31 January 2020
	NZ\$000's	NZ\$000's	\$	\$
Buy USD / sell NZD				
Settlement	-	-	-	-
Less than 6 months				
Buy AUD / sell NZD				
Settlement	NZ\$000's	NZ\$000's	\$	\$
Less than 6 months	-	-	-	-

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

30 Financial Risk Management (continued)

(ii) Interest rate risk

The Group is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At the reporting date, the Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

	31 January 2021 NZ\$000's	31 January 2020 NZ\$000's
Floating rate instruments		
Bank overdrafts	-	-
Working capital financing bank facility	-	-
Convertible notes	-	-
Borrowings	14,500	17,900
	14,500	17,900

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1.00%/-1.00% (2020: +1.00%/-1.00%, 2019: +1.00%/-1.00%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and economist reports.

The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

	1.00%	NZ\$000's	-1.00%
Net results/Equity (31 January 2021)	145		(145)
Net results/Equity (31 January 2020)	179		(179)

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

31 Tax assets and liabilities

Deferred tax assets/(liabilities)

Carried forward tax losses
Intangible assets

Balance at 31 January 2021

Carried forward tax losses
Intangible assets

Balance at 31 January 2020

Opening Balance NZ\$000's	Charged to Income NZ\$000's	Charged directly to Equity NZ\$000's	Changes in Tax Rate NZ\$000's	Exchange Differences NZ\$000's	Closing Balance NZ\$000's
630	-	-	-	-	630
(630)	-	-	-	-	(630)
-	-	-	-	-	-
1,322	(701)	-	-	9	630
(630)	-	-	-	-	(630)
692	(701)	-	-	9	-

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

32 Dividends

No final dividend will be paid in respect of the year ended 31 January 2021 (31 January 2020: nil, 31 January 2019: nil).

Franking account

	31 January 2021 NZ\$000's	31 January 2020 NZ\$000's
Australian franking credits available for subsequent financial years at a tax rate of 30%	3,995	3,995
New Zealand imputation credits available for subsequent financial years at a tax rate of 28%	236	236

The above amounts are based on the dividend franking account at period-end adjusted for:

- (a) Franking credits that will arise from the payment of the current tax liabilities;
- (b) Franking debits that will arise from the payment of dividends recognised as a liability at the period end;
- (c) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the period.

33 Key Management Personnel Remuneration

Key management personnel remuneration included within employee expenses for the period is shown below:

	For the Year Ended 31 January 2021 NZ\$000's	For the Year Ended 31 January 2020 NZ\$000's
Short-term employee benefits*	13,865	3,182
	13,865	3,182

*Included in the current year's \$13.9m is an accrual for phantom warrants of \$11.6m which has been recognised as a brand transition, restructure and transaction expense in the consolidated statement of profit or loss and other comprehensive income. The Group uses the Black Scholes option pricing model to determine the fair value of the phantom warrants which have an exercise price of US\$0.37 which vests in three tranches being 21 January 2021, 21 July 2021 and 21 January 2022. There are no conditions or restrictions to receiving the benefit of all the phantom warrants for the full bonus calculation period. Each tranche of phantom warrants may be exercised for cash at any time in the three year period following vesting date and as such is recognised as a liability.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

34 Interests in Subsidiaries

Composition of the Group

Subsidiaries:

Bendon Retail Limited
Bendon Holdings Limited
Bendon Holdings Pty Limited
Bendon Pty Limited
Bendon Intimates Pty Limited
PS Holdings No. 1 Pty Limited
Pleasure State Pty Limited
Pleasure State (HK) Limited
Bendon UK Limited
Bendon USA Inc
Bendon Limited
Naked Brand Inc.
FOH Online Corp Inc.

Principal place of business / Country of Incorporation	Percentage Owned (%)* 31 January 2021	Percentage Owned (%)* 31 January 2020
New Zealand	100	100
New Zealand	100	100
Australia	100	100
Australia	100	100
Australia	100	100
Australia	100	100
Australia	100	100
Hong Kong	100	100
United Kingdom	100	100
United States of America	100	100
New Zealand	100	100
United States of America	100	100
United States of America	100	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

35 Fair Value Measurement

The Group measures the following assets and liabilities at fair value on a recurring basis:

- Financial assets - derivative financial instruments
- Financial liabilities - derivative financial instruments
- Financial liabilities – convertible notes with embedded derivatives
- Financial liabilities – Phantom Warrants

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

35 Fair Value Measurement (continued)

The table below shows the assigned level for each asset and liability held at fair value by the Group:

	Level 1 NZ\$000's	Level 2 NZ\$000's	Level 3 NZ\$000's	Total NZ\$000's
31 January 2021				
Recurring fair value measurements				
Financial assets				
Foreign exchange contracts	-	-	-	-
Financial liabilities				
Foreign exchange contracts	-	-	-	-
Financial derivative liabilities	-	629	-	-
Phantom warrant liabilities	-	11,642	-	-
31 January 2020				
Recurring fair value measurements				
Financial assets				
Foreign exchange contracts	-	-	-	-
Financial liabilities				
Foreign exchange contracts	-	-	-	-
Financial derivative liabilities	-	-	-	-

There were no transfers between levels during the financial periods.

The carrying amount of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. Bank loans approximate fair value of the carrying amount on the basis of the variable nature of the interest rates associated with the loans.

Valuation techniques for fair value measurements categorised within level 2

The fair value of the derivative on convertible notes and the fair value accrual for phantom warrants has been determined using a Black-Scholes model. Measurement inputs include share price on measurement date, expected term of the instrument, risk free rate, expected volatility and expected dividend rate. The Group used valuations specialists to perform these valuations.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

35 Fair Value Measurement (continued)

Fair value measurements using significant unobservable movements (level 3)

For the years ended 31 January 2021 and 31 January 2020, there were no financial instruments that were level 3.

36 Contingencies

Contingent Liabilities

The Group has entered into a number of trade guarantee arrangements in the normal course of business totalling \$0.8m (2020: \$0.7m)

In February 2020, a group of investors, who had invested in Bendon Limited prior to its merger with the Company, claimed misrepresentations had been made and they had been misled into investing in Bendon. No litigation has been commenced to date.

On March 24, 2020, Timothy Connell filed a complaint against us, a subsidiary of ours, and Mr. Davis-Rice, alleging, among other things, that certain shares issued to him in satisfaction of a debt were not registered for resale as promised. Mr. Connell sought rescission of the transaction. During the year, the Group has settled through the issuance of shares.

On February 9, 2021, the Group was requested by the Securities and Exchange Commission (the "SEC") to provide certain documents and information for its investigation.

In the prior year, a shareholder lodged a court Action against the Group claiming they did not receive the correct number of shares in the Group on completion of the merger between Naked Inc. and Bendon Limited to form Naked Brand Group Limited in the prior year. The Group has sought to have this claim dismissed by the Court on the basis that the Group had no contract with the shareholder and that the shareholder did not have a possessory right over a certain number of shares in the Group. No provision has been made for this in these financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

37 Related Parties

(a) Loans (to)/from related parties

Loans to related parties
Whitespace Atelier Limited - 31 January 2021
Whitespace Atelier Limited - 31 January 2020

Loans from related parties

SBL Holdings - 31 January 2021
SBL Holdings - 31 January 2020
EJ Watson – 31 January 2021
EJ Watson – 31 January 2020

Opening balance NZ\$000s	Closing balance NZ\$000s
-	-
282	-
-	-
(1449)	-
-	-
(2,289)	-

(b) Transactions with related parties

In the prior year, a financial liability relating to a shareholder loan created on the acquisition of FOH Online Corp Inc. was derecognised as the current acquisition accounting results in a debt free balance with the shareholder. This adjustment is reflected in the 31 January 2020 accounts in a reduction to the carrying value of the acquired intangible asset with a write back to the profit and loss account for the accrued and capitalised interest. This has resulted in a reduction to the carrying value of the acquired intangible asset with a write back to the profit and loss account for accrued and capitalised interest. Further information can be found in note 20.

In the prior year, the loan payable to SBL Holdings Limited was extinguished through the issuance of shares in the Company.

In the prior year, the Group received tax services from Rothsay Chartered Accountants, an accountancy firm, in which a director of the company held a senior position. The Group received services to the value of \$32,503.

During the current year, the Group procured goods for resale from The Way Store Pty Ltd, a company registered in Australia, which is related through common directorship. The Group purchased \$0.5m worth of inventory.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

38 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	For the Year Ended 31 January 2021 NZ\$000's	For the Year Ended 31 January 2020 NZ\$000's
Loss for the year	(68,346)	(54,305)
Cash flows excluded from profit attributable to operating activities		
- interest paid on borrowings	1,256	2,868
- gain on sale of intangible assets	-	(906)
Non-cash flows in profit:		
- Interest on convertible note borrowings	5,681	-
- depreciation and amortisation expense	8,700	10,603
- impairment expense	4,895	8,904
- shares issued in lieu of inventory payment	-	5,942
- shares issued for agreed settlement	5,701	-
- fair value on warrants issued	-	371
- fair value loss/(gain) on convertible notes derivative	26,552	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(2,082)	2,901
- (increase)/decrease in current tax receivables	2	368
- (increase)/decrease in inventories	6,604	(1,912)
- (increase)/decrease in deferred tax asset/(liability)	-	711
- (increase)/decrease in related party receivables	-	282
- (increase)/(decrease) in trade and other payables	6,037	402
- increase/(decrease) in income taxes payable	205	(140)
- increase/(decrease) in provisions	(5,622)	5,534
- increase/(decrease) in foreign currency derivative liability	-	(1,484)
- net exchange differences	(601)	(33)
Cashflows from operations	(11,018)	(19,894)

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

38 Cash Flow Information (continued)

(b) Non-cash investing and financing activities

Investing and financing transactions that do not require the use of cash or cash equivalents (i.e. non-cash) are excluded from the statement of cash flows. Such transactions are disclosed below that provides all the relevant information about the non-cash investing and financing activities specific to the Group:

	For the Year Ended 31 January 2021 NZ\$000's	For the Year Ended 31 January 2020 NZ\$000's
Shares issued in lieu of inventory payment	-	15,525
Shares issued in lieu of agreed debt	5,701	-
Shares issued on conversion of debt	1,689	-
Warrants issued	-	371
	7,192	15,896

39 Events occurring after the reporting date

On February 1, 2021, Naked Brand Group Ltd ("The Company") received an instruction to issue 29,415,000 ordinary shares at a price of US\$1.70 for net proceeds of US\$46,920,170, based on a Placement Agent Agreement with Maxim Group LLC date January 27, 2021.

On February 9, 2021, the Company repaid its loan facility held with the Bank of New Zealand. The total settlement amount was NZ\$14,779,607 and included interest of NZ\$17,436 and fees of NZ\$262,171.

On February 23, 2021, the Company announced that it had received notification from the Nasdaq that the Company had regained compliance with Nasdaq's minimum bid price requirement.

On February 24, 2021 the Company entered into a Securities Purchase Agreement (the "SPA") with certain accredited investors, pursuant to which the Company will sell to the investors in a private placement an aggregate of US\$100,000,000 of units ("Units"), each unit consisting of one ordinary share, no par value, and one warrant, each warrant entitling the holder to purchase one ordinary share (the "Warrant Shares") at an initial exercise price of US\$1.13. The units will be sold at a price per Unit of US\$0.93, resulting in the issuance of an aggregate of 107,526,882 Units (representing an aggregate of 107,526,882 ordinary shares and 107,526,882 warrants. On March 11, 2021 the SPA was amended which reduced the price per unit from US\$0.93 to US\$0.85 resulting in aggregate ordinary shares of 117,647,059 and 117,647,059 warrants. The exercise price of the warrants was also reduced from US\$1.13 to US\$0.935 and expire five years from the date of the closing. They can be exercised on a net share exercise basis at any time. The Company plans to use the proceeds to pay down certain liabilities and fund working capital.

On February 25, 2021, we exchanged the Prior Note issued in April 2020 for 4,002,789 Ordinary Shares. Prior to the exchange, through a board resolution, the conversion price of the Note issued in April was reduced from US\$4.00 per share to US\$0.60 per share resulting in an additional 3,403,703 shares compared to the previously announced estimate of 599,086 in the October Prospectus.

Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2021

39 Events occurring after the reporting date (continued)

On March 11, 2021 the Company consummated the offer and sale of an aggregate of 117,647,059 units ("Units"), each unit consisting of one ordinary share, no par value and one warrant to certain accredited investors pursuant to the previously disclosed Securities Purchase Agreement between the Company and investors, dated as of February 24, 2021 (as amended, the "SPA"). The Company received net proceeds of US\$95,000,000 from the sale of the units, after offering expenses. The units, ordinary shares, and warrants issued pursuant to the SPA were offered and sold, and the ordinary shares issuable upon the exercise of the Warrants were offered, in private placements to accredited investors. No underwriting discounts or commissions were paid with respect to such sales.

In April, 2021, Esousa Holdings LLC, Streeterville Capital LLC and Aquitas collectively acquired 99,787,027 ordinary shares, which were issued upon exercise of the warrants and accounted for no more than 9.9% of this class of share at the time of issuance.

On April 19, 2021 Mark Ziirsen was appointed as Chief Financial Officer, replacing Cheryl Durose.

On April 26, 2021, the Group received a notice from Nasdaq's Listing Qualifications Department stating that, for the 30 consecutive business days ending April 23, 2021, the closing bid price for the Ordinary Shares had been below the minimum of \$1.00 per share required for continued inclusion on the Nasdaq Capital Market under Nasdaq Listing Rule 5550(a)(2). The notification letter stated that we would be afforded 180 calendar days (until October 25, 2021) to regain compliance with the minimum bid price requirement. In order to regain compliance, the closing bid price for the Ordinary Shares must be at least \$1.00 per share for a minimum of ten consecutive business days. The notification letter also stated that in the event we do not regain compliance within the 180-day period, we may be eligible for additional time.

The Nasdaq notification did not have any immediate effect on the listing of the Ordinary Shares, and the Ordinary Shares continue to trade uninterrupted under the symbol "NAKD". Naked management intends to actively monitor the bid price for the Ordinary Shares and will consider all available options to regain compliance with the Nasdaq minimum bid price requirement.

On January 21, 2021, the Company announced plans to undertake a transformative restructure in which it would dispose of its bricks-and-mortar operations in order to focus exclusively on its e-commerce business. To that end, the Company signed a non-binding and non-exclusive term sheet to divest its Bendon Limited ("Bendon") subsidiary, to a group composed of existing management of the Company, including Justin Davis-Rice, the Executive Chairman and Chief Executive Officer of the Company, and Anna Johnson, the Chief Executive Officer of Bendon (the "Bendon Sale"). On April 23, 2021, the Company held an Extraordinary General Meeting of Shareholders, at which shareholders approved the Bendon Sale. On April 30, 2021, the Company signed a conditional share sale agreement for the Bendon Sale (the "Bendon Share Sale Agreement") and simultaneously consummated the transactions contemplated thereby.

Following the Bendon Sale, the Group's sole operating entity will be FOH Online Corp. ("FOH"). Through FOH, we are the exclusive licensee of the Frederick's of Hollywood global online license, under which we sell Frederick's of Hollywood intimates products, sleepwear and loungewear products, swimwear and swimwear accessories products, and costume products.

Naked Brand Group Limited

ACN 619 054 938

Directors' declaration

In the directors' opinion:

- (a) the annual financial statements and notes set out on pages 6 to 85 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 January 2021 and of its performance for the year ended on that date and
- (b) there are reasonable grounds to believe that Naked Brand Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Justin Davis-Rice
Director
Sydney
18 May, 2021



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INDEPENDENT AUDITOR'S REPORT

To the members of Naked Brand Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Naked Brand Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 January 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Naked Brand Group Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 January 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.



BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'Tim Aman', written in a cursive style.

Tim Aman
Director

Sydney, 18 May 2021